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Chain Store Age

GENERAL MERCHANDISE EDITION

May 1983

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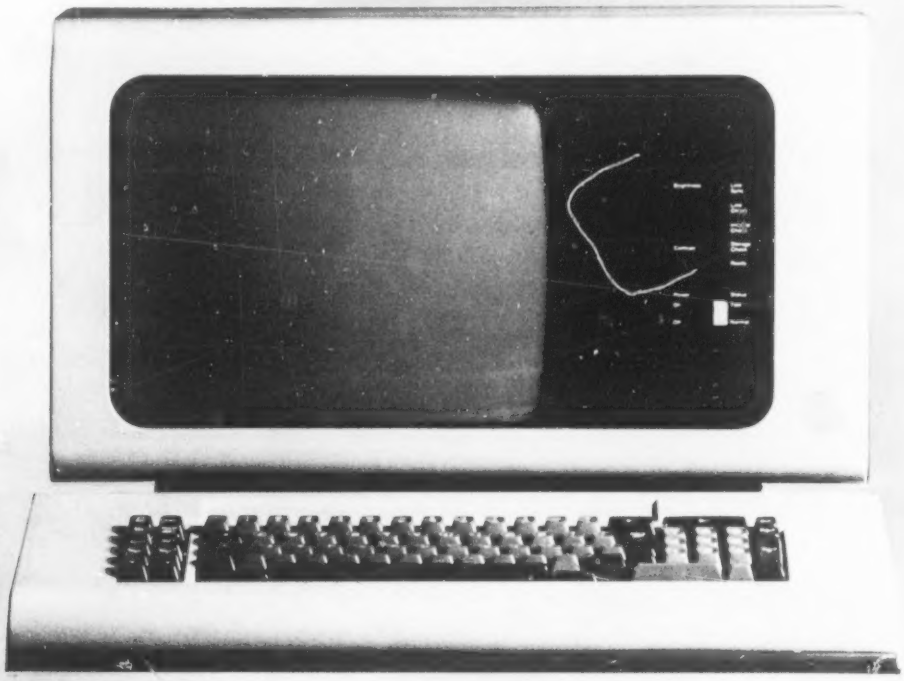
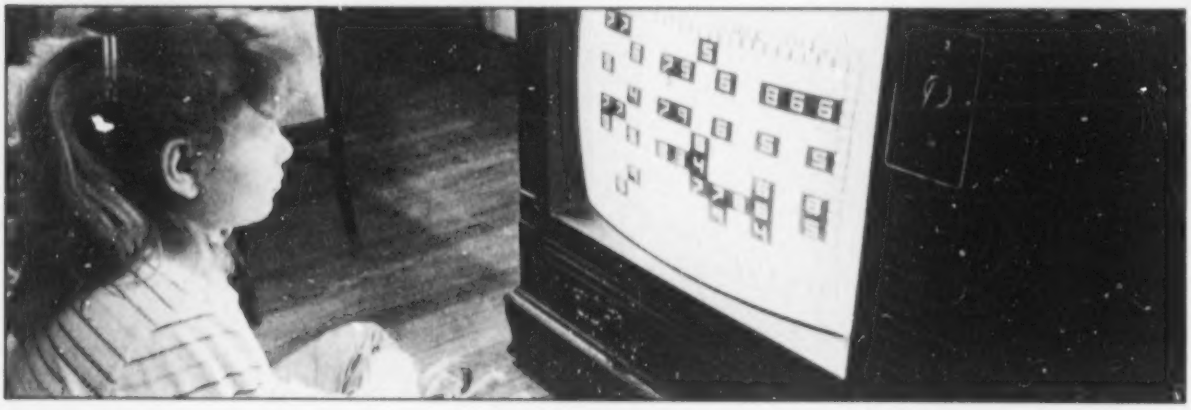
SECTION ONE



CAN RETAILERS COPE WITH THE ELECTRONIC REVOLUTION?

TWO DOLLARS PER ISSUE

IN THIS ISSUE



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Apparel specialists lead earnings charge

A good Christmas, strong post holiday sales, lean inventories and lower than expected LIFO charges, not to mention comparison to a poor 1981, combined to make 1982's last quarter and year-end reports happy ones.

Overall, for the 23 companies tracked by *CSA*, fourth quarter earnings soared 26.9% above '81. For the year they ran ahead by 20%. Soft lines specialty stores, followed by the variety/discount sector, showed the best fourth quarter improvements.

For the year, however, the Big 3's 35.5% hike scored best. Most significant was Montgomery Ward's reduction of its loss from $160 million to $93 million.

LIFO's effect on earnings could be seen from Sears' results. Earnings of the retail giant increased by $50 million in the fourth quarter, of which the company attributed $33 million to lower LIFO charges. Hard lines-oriented chains such as Sears and K mart found the most comfort from the 1.9% inflation rate for durables vs. the 6.6% of '81.

Durables posted a lower inflation rate than did soft goods, reverse of the situation in '81. Most analysts are predicting '83 will be a good year for durables. The lower inflation rate should contribute to fulfillment of their forecasts.

Perhaps of even more significance than the overall 2.8% LIFO increase is the big shift in the weighting of the index parts based on their sales. Wearing apparel and accessories dropped from 44.7% of the total to just 40.3%, a 9.7% falloff. The largest part of the decline came from sales of women's outerwear and girls' wear, a 24.1% decrease. In perhaps a reflection of the baby boomlet, infants' wear went up 14%.

Housewares, meanwhile, increased its share by 17.4% to 10.32% of the total index. Domestics/draperies also had a significant increase, 11.9%, while jewelry went up 19.2% and toiletries/drugs climbed 22%.

Fourth quarter earnings salvage retail year

	4th Quarter (000 omitted)			Full year (000 omitted)		
	'81	'82	% change	'81	'82	% change
Penney[2]	209,000	234,000	+12.0	393,000	430,000	+ 9.4
Sears[2, 3]	261,800	311,600	+19.0	352,300	455,900	+ 29.4
Ward	(22,000)	16,000	—	(160,000)	(93,000)	—
Subtotal	448,800	561,600	+25.1	584,300	792,900	+ 35.5
K mart	114,900	165,200	+43.8	220,300	261,800	+ 18.8
G. C. Murphy	(490)	6,931	—	4,878	11,744	+140.8
Rose's	4,476	7,328	+63.7	8,242	11,559	+ 40.2
SCOA (Hills)	21,672	23,628	+ 9.0	32,109	36,084	+ 12.4
Wal-Mart	34,117	55,501	+62.7	82,794	124,140	+ 49.9
Woolworth[1]	54,000	70,000	+29.6	97,000	82,000	– 15.5
Zayre	12,471	18,793	+50.7	22,147	35,176	+ 58.8
Subtotal	241,146	347,379	+44.1	467,470	562,503	+ 20.3
Allied	59,454	70,544	+20.7	88,332	90,659	+ 58.8
Associated Dry Goods	51,903	64,529	+24.3	68,774	78,414	+ 12.4
Carter Hawley Hale	24,659	37,293	+51.2	44,762	49,025	+ 9.5
Dayton Hudson[1]	96,052	117,520	+22.4	159,500	198,368	+ 24.4
Federated	129,800	142,400	+ 9.7	258,300	232,800	– 9.9
May Co.	71,000	82,900	+16.6	126,200	141,700	+ 12.3
Mercantile	28,978	34,304	+18.4	57,895	69,941	+ 20.8
Subtotal	460,846	549,490	+19.2	803,763	860,907	+ 7.1
Cole National	14,986	15,928	+ 6.3	8,740	12,720	+ 45.5
Oshman's	4,513	5,702	+26.3	7,552	7,091	– 6.1
Toys "R" Us	41,899	52,481	+25.3	48,920	64,162	+ 31.2
Subtotal	61,398	74,111	+20.7	65,212	83,973	+ 28.8
The Gap	5,852	10,491	+79.3	11,801	18,216	+ 54.4
The Limited	8,139	13,411	+64.8	22,386	33,592	+ 50.1
Miller Wohl	5,077	6,467	+27.4	17,887	16,471	– 7.9
Subtotal	19,068	30,369	+59.3	52,074	68,279	+ 31.1
Total	1,231,258	1,562,949	+26.9	1,973,819	2,368,562	+ 20.0

[1]*continuing operations only* [2]*consolidated operations only* [3]*U.S. operations only*
( ) indicates loss
Source: *CSA* research

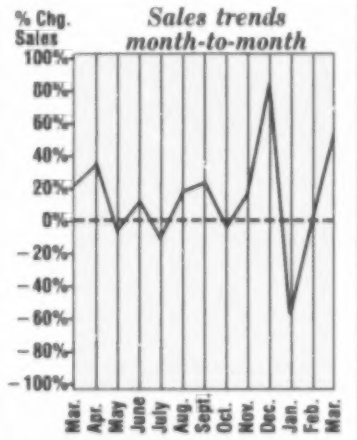
Per cent changes in LIFO department store index

Item	Index weight Jan. '83	Index weight Jan. '82	12 months thru Jan. '83	12 months thru Jan. '82
Piece goods	0.93%	0.87%	+3.7%	+ 0.7%
Domestics/draperies	10.62	9.49	+4.2	+10.3
Women's/children's shoes	2.41	2.46	+1.3	+ 3.3
Men's/boys' shoes	0.52	0.47	+0.7	+ 5.1
Infants' wear	3.59	3.15	+4.5	+ 5.7
Women's underwear	5.63	5.12	+5.0	+ 7.2
Women's/girls' hosiery	1.54	1.59	+3.1	+ 5.2
Women's/girls' accessories	2.48	2.69	+3.5	+ 3.1
Women's outerwear/girls' wear	13.96	18.40	–1.2	– 1.3
Men's clothing	5.90	6.81	+2.3	+ 3.5
Men's furnishings	5.15	4.75	+4.6	+ 6.5
Boys' clothing/furnishings	2.12	2.19	+4.7	+ 0.4
Jewelry	4.53	3.80	–1.8	– 2.9
Notions	2.79	2.74	+9.5	+ 4.1
Toiletries/drugs	7.83	6.42	+7.7	+ 9.2
Furniture/bedding	8.28	8.27	+1.5	+ 5.7
Floor covering	2.16	2.00	+3.8	+10.7
Housewares	10.32	8.79	+2.7	+ 8.2
Major appliances	1.90	1.93	+3.0	+ 7.1
Radio/TV sets	2.49	3.31	–2.0	+ 0.6
Miscellaneous	4.88	4.75	N.T.	N.T.
Total soft goods	69.97	70.95	+3.0	+ 4.0
Total durables	25.15	24.30	+1.9	+ 6.6
Total store	100.00	100.00	+2.8	+ 4.7

N.T. = not tracked
Source: Bureau of Labor Statistics

Early Easter spurs March sales hike

Spurred by mild weather and an earlier-than-usual holiday, March sales continued a strong early-year trend which found consumers responding to the news that the nation is slowly emerging from its economic doldrums. Sales were up 12.3% for the 20 GM chains tracked by *CSA*. All but seven posted double digit sales increases.



Composite of sales trends (increases or decreases) from month to month for the 19 retail companies tracked by *CSA*.

Despite the good showing, retailers remained wary. Most credited an early Easter and mild March for the upsurge—not necessarily the touted economic upturn. "We lucked out with the calendar change with Easter falling in March," said one chain spokesman. "But we're going to pay for that in April."

Nevertheless, GMers had to be pleased with the third straight month of strong sales increases.

K mart, the nation's largest discounter, continued to show signs it has recovered from a prolonged slump. March volume was up 13.3% on sales of $1.5 billion. More importantly, K mart's same-store sales were up 11.8%. In comparison, Wal-Mart's same-store sales were up 10% while Boston-based Bradlees comparable-store results jumped 12%. The March results, said chairman Bernard Fauber, "reinforces our conviction that consumers like what they see in the economy as well as the merchandising changes at K mart."

Major appliance sales also continued to show strength. Sears reported that durables—particularly microwave ovens, refrigerators and television sets—scored sales gains for the sixth consecutive month. Sears' overall sales were up 5.8% in March compared to a 2.1% increase in March 1982.

Among other chains, Minneapolis-based Dayton Hudson continued to surge with a 14.7% same-store sales increase for March. Woolworth volume was up 9.2%, and Mercantile sales (with only one additional store) jumped 16.6%. Carter Hawley Hale volume was up 12%; May Dept. Stores, up 19%, and Federated's discount store division (including Richway and Gold Circle) was up 40.9%, pacing corporate's 17.1% gain in sales.

Robust March could turn April soggy

		MARCH SALES*		STORES		2-MO. SALES*		
MAJOR CHAINS	% change	1983	1982	1983	1982	1983	1982	% change
SEARS[1]	+ 5.8	1,853,271	1,751,607	831	852	3,127,517	2,973,854	+ 5.2
PENNEY	+ 6.7	873,000	818,000	2,053	2,080	1,440,000	1,393,000	+ 3.4
WARD[1]	+ 2.5	466,879	455,641	385	389	787,526	770,452	+ 2.2
FEDERATED[1]	+17.1	727,600	621,200	410	N/A	1,245,600	1,078,100	+15.5
DAYTON HUDSON	+26.6	559,623	441,962	1,003	888	905,745	724,463	+25.0
MAY DEPT. STORES	+19.0	345,600	290,500	1,490	1,289	569,300	484,700	+17.4
CARTER HAWLEY HALE	+12.0	280,300	250,300	1,034	961	481,100	431,400	+11.5
ASSOCIATED DRY GOODS	+12.8	286,800	254,300	248	245	463,200	416,400	+11.2
MERCANTILE	+16.6	119,034	102,095	85	84	199,649	172,441	+15.8
K MART	+13.3	1,544,936	1,364,106	2,375	2,383	2,540,977	2,281,501	+11.4
WOOLWORTH	+ 9.2	440,788	403,807	N/A	N/A	745,350	703,395	+ 6.0
HOUSEHOLD MERCH.[1,3,5]	- 1.9	221,701	226,061	3,774	3,840	416,788	422,740	- 1.4
WAL-MART	+24.7	303,000	243,000	558	500	529,000	419,000	+26.3
T.G. & Y.	+ 0.3	156,159	155,651	897	932	285,759	283,324	+ 0.9
ZAYRE[4]	+24.5	227,120	182,361	640	587	344,204	275,884	+24.8
BRADLEES	+35.1	78,900	58,400	107	91	129,000	97,900	+31.8
MURPHY	- 1.4	77,164	78,256	420	436	126,105	129,748	- 2.8
ROSE'S	+17.4	52,691	44,865	237	233	100,678	87,142	+15.5
MELVILLE	+26.7	351,811	277,693	5,517	5,206	741,641	615,008	+20.6
TANDY	+27.1	207,417	163,200	N/A	N/A	389,218	310,149	+25.5
EDISON BROS.	+ 8.5	69,242	63,818	2,169	2,114	133,193	123,990	+ 7.4
TOTALS & AVERAGES	+12.3	9,086,877	8,091,172	—	—	15,415,791	13,911,267	+10.8

**000 omitted. N.C. = no change. N/A = not available.*
[1]Store number for full-line outlets only. [2]Includes 2,829 franchise stores (vs. 2,860 a year ago). [3]Includes T.G. & Y. sales. [4]Includes 265 Zayre stores (vs. 263 a year ago), 288 Hit or Miss stores (vs. 260) and 87 T. J. Maxx stores (vs. 64). [5]Excludes supermarket sales.

Lamston's sold to investor group

M. H. Lamston, the New York-based variety store chain, has reached a tentative agreement to sell all of its outstanding 574,436 shares to investment bankers, Carl Marks & Company, for $15.8 million in cash. The new board of directors for the 50-year-old, 31-store chain will include Burton Adelman, Lamston's pres./chairman.

One of the most successful variety store chains around, Lamston's was rated as the nation's top regional variety store operation in *CSA*'s February 1983 issue.

Sales in 1982 were $44.7 million, up 4.9% on '81. From '77 to '81, Lamston's compound sales growth was 11.5% while its compound operating profit growth was 21.8%—the best rate among the variety store chains.